

<b>ACCEPTANCE OF PROPOSAL</b> (NEGOTIATED CONTRACT)		CONTRACT NO.		PAGE NO. <b>1</b>	NUMBER OF PAGES OF ACCEPTANCE
DATE OF ACCEPTANCE		REQUEST NO.			
TO (Contractor and Address)		ISSUED BY			
INVOICE FOR PAYMENT SHOULD BE MAILED TO					
Your proposal on the above numbered request for proposals is hereby accepted as to the items enumerated below with the additions or changes made by you, which additions or changes are set forth in full below.					
ITEM NO.	SUPPLIES OR SERVICES	QUANTITY (Number of Units)	UNIT	UNIT PRICE	AMOUNT
<b>TOTAL</b>					
This Acceptance consummates the contract which consists of the following documents, including any Continuation Sheets thereto: (a) the Government's Request for Proposals and your Proposal, (b) the Schedule, (c) the General Provisions, and (d) the Government's Acceptance. No further contractual document is necessary.  This Contract is negotiated pursuant to Statutory Authority, and any required determinations and findings have been made.		UNITED STATES OF AMERICA  BY _____ <div style="text-align: right;">CONTRACTING OFFICER</div>			

**NOTICE**

This material contains information affecting the National Defense of the United States within the meaning of the Espionage Laws, Title 18, U.S.C. Secs. 793 and 794, the transmission or revelation of which in any manner to an unauthorized person is prohibited by law.

**~~SECRET~~**

Post Office Box 8043  
Southwest Station  
Washington 24, D. C. 20024

REGISTERED

Attention:

Subject :

Gentlemen:

The enclosed Request for Proposal invites you to bid upon furnishing the supplies and services therein described. The association of this Request for Proposals, any resulting proposal or contract award, and all correspondence relating thereto with the procuring Government Activity or the Contracting Officer, or with previous contracts with the same procuring Government Activity or Contracting Officer, is classified, , information. Such information shall, therefore, be made available and disclosed only to persons who have been security cleared by the procuring Government Activity, and then only on a need-to-know basis.

The handling, mailing, and storage of this letter, the enclosed documents, and any and all correspondence relating thereto, shall be in strict compliance with the security instructions conveyed to you in previous classified transactions with this Activity.

If you do not wish to submit a proposal, (i) you are requested to so indicate promptly, and (ii) you shall return all documents, including this letter, to the undersigned Contracting Officer at the above address.

Your proposal must be mailed in sufficient time to reach this office on or before the date specified in the enclosed request for opening of proposals. Telegraphic proposals will not be considered unless specifically authorized by the Schedule of the Request for Proposals.

In the event any information is needed prior to your submission of a proposal, you may contact Mr. on NATIONAL 8-3997.

Very truly yours,

25X1A9a [REDACTED]

Contracting Officer



<b>REQUEST FOR PROPOSALS AND PROPOSAL</b> (NEGOTIATED CONTRACT)		REQUISITION NO. OR PURCHASE AUTHORITY
ISSUED BY		ADDRESS
<b>REQUEST FOR PROPOSALS</b>		
DATE ISSUED		REQUEST NO.
<p>WRITTEN PROPOSALS IN TRIPPLICATE, SUBJECT TO THE TERMS AND CONDITIONS OF THIS REQUEST FOR PROPOSALS, ITS SCHEDULE, AND THE ATTACHED GENERAL PROVISIONS, WILL BE RECEIVED AT THE ABOVE OFFICE UNTIL THE CLOSE OF BUSINESS _____ (date), FOR FURNISHING THE SUPPLIES OR SERVICES OR SERVICES SET FORTH IN THE ACCOMPANYING SCHEDULE.</p> <p>GENERAL INFORMATION AND INSTRUCTIONS RELATIVE TO PROPOSALS ARE CONTAINED IN THE TERMS AND CONDITIONS ON THE REVERSE HEREOF.</p>		
<b>PROPOSAL</b>		<b>DATE</b>
<p>IN COMPLIANCE WITH THE ABOVE, THE UNDERSIGNED OFFERS AND AGREES, IF THIS PROPOSAL BE ACCEPTED WITHIN _____ CALENDAR DAYS (_____ calendar days unless a different period be inserted by the Offeror) AFTER THE LAST DATE FOR RECEIPT OF PROPOSALS AS INDICATED IN THE REQUEST FOR PROPOSALS, TO FURNISH ANY OR ALL OF THE ITEMS UPON WHICH PRICES ARE QUOTED, AT THE PRICE SET OPPOSITE EACH ITEM, DELIVERED AT THE DESIGNATED POINT(s) AND WITHIN THE TIME SPECIFIED IN THE SCHEDULE OF THE REQUEST FOR PROPOSALS.</p>		
<b>OFFEROR REPRESENTS (Check appropriate boxes)</b>		
<p>(1) (a) That it <input type="checkbox"/> is, <input type="checkbox"/> is not, a small business concern. For this purpose, a small business concern is a concern that (i) is not dominant in its field of operation and, with its affiliates, employs fewer than 500 employees, or (ii) is certified as a small business concern by the Small Business Administration. (See Code of Fed. Reg., Title 13, Ch. II, Part 103, 21 Fed. Reg. 9709, which contains the detailed definition and related procedures), (b) that it <input type="checkbox"/> has, <input type="checkbox"/> has not, previously been denied a Small Business Certificate by the Small Business Administration, and (c) if offeror is a regular dealer, it also represents that all supplies to be furnished hereunder <input type="checkbox"/> will, <input type="checkbox"/> will not, be manufactured or produced in the United States or its Territories or possessions by a small business manufacturer or producer;</p> <p>(2) That it is a <input type="checkbox"/> regular dealer in, <input type="checkbox"/> manufacturer of, the supplies offered;</p> <p>(3) (a) That it <input type="checkbox"/> has, <input type="checkbox"/> has not, employed or retained any company or person (other than a full-time bona fide employee working solely for the contractor) to solicit or secure this contract, and (b) that it <input type="checkbox"/> has, <input type="checkbox"/> has not, paid or agreed to pay to any company or person (other than a full-time bona fide employee working solely for the contractor) any fee, commission, percentage or brokerage fee, contingent upon or resulting from the award of this contract; and agrees to furnish information relating thereto as requested by the contracting officer. (Note: For interpretation of the representation, including the term "bona fide employee" see General Services Administration Regulations, Title 44, Secs. 150.7 and 150.5 (d), Fed. Reg. Dec. 31, 1952, Vol. 17, No. 253);</p> <p>(4) That it operates as <input type="checkbox"/> individual, <input type="checkbox"/> partnership, <input type="checkbox"/> corporation, incorporated in the state of _____</p>		
FULL NAME OF OFFEROR (Type or Print)		TELEPHONE NO.
BUSINESS ADDRESS OF OFFEROR (Street, city, zone, and State) (Type or print)		SIGNATURE AND TITLE OF PERSON AUTHORIZED TO SIGN THIS PROPOSAL (Type or print name and title, under signature)

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## TERMS AND CONDITIONS OF REQUEST FOR PROPOSALS

1. ACCEPTANCE.--(a) The Government may accept any item or group of items of any proposal unless qualified by specific limitation of the offeror.

(b) Unless otherwise provided in the schedule, proposals may be submitted for any quantities less than those specified: and the Government reserves the right to make an award on any item for a quantity less than the quantity proposed at the unit price offered unless the offeror specifies otherwise in its proposal.

(c) Negotiations with any or all offerors may be required after receipt of proposals. Such further negotiations shall not be deemed to be a resection or a counter-offer on the part of the Government. Notwithstanding such further negotiations, the Government may accept the offeror's proposal within the time specified in the proposal unless the proposal is withdrawn in writing prior to acceptance.

(d) It is contemplated that a contract will be awarded to the responsible offeror whose proposal will be most advantageous to the Government, price and other factors considered. The right is reserved to accept other than the lowest proposal and to reject any or all proposals.

(e) An Acceptance of Proposal mailed (or otherwise furnished) to the successful offeror within the time for acceptance and upon the terms specified in the proposal results in a binding contract, without further action by either party.

(f) Any cost or financial analysis data submitted with any proposal hereunder or any representation concerning facilities or financing shall not form a part of any resulting contract.

2. LABOR INFORMATION.--Attention is invited to the possibility that wage determinations may have been made under the Walsh-Healey Public Contracts Act providing minimum wages for employees engaged in the manufacture for sale to the Government of the supplies covered by this Request for Proposals. Information in this connection, as well as general information as to the requirements of the act concerning overtime payment, child labor, safety, and health provisions, etc., may be obtained from the Wage and Hour and Public Contracts Divisions, Department of Labor, Washington 25, D. C. Requests for information should state the request number, the issuing agency, and the supplies covered.

3. NONDISCRIMINATION IN EMPLOYMENT.--Any contract resulting from this Request For Proposals will contain a "Nondiscrimination in Employment" Article.

4. DISCOUNTS.--(a) Prompt payment discounts will be included in the evaluation of proposals, provided the period of the offered discount is sufficient to permit payment within such period in the regular course of business under the delivery, inspection, and payment provisions of the Request and Proposal.

(b) In connection with any discount offered, time will be computed from date of delivery of the supplies to carrier when delivery and acceptance are at point of origin, or from date of delivery at destination or port of embarkation when delivery and acceptance are at either of those points, or from date correct invoice or voucher (properly certified by the contractor) is received in the office specified

by the Government if the latter date is later than the date of delivery.

5. PRICES.--Unit price for each unit quoted on shall be shown and such unit price shall include packing unless otherwise specified.

6. DELIVERY TIME.--When not otherwise specified, offeror must definitely state time of proposed delivery.

7. COMPUTATION OF TIME.--Time, if stated as number of days, will include Sundays and holidays.

8. SAMPLES.--Samples of items, when required, must be submitted within the time specified and at no expense to the Government; if not destroyed by testing, they will be returned at offeror's request and expense, unless otherwise specified in the Schedule.

9. GOVERNMENT-FURNISHED PROPERTY.--No material, labor, or facilities will be furnished by the Government unless otherwise provided in the Schedule.

10. AGENTS.--Proposals signed by an Agent must be made in the name of the Principal and must be accompanied by evidence of his authority.

11. PROPOSALS.--(a) Data. Each offeror shall furnish the information required by the Request for Proposals form. The offeror should print or type his name on the Schedule and each Continuation Sheet thereof upon which he makes an entry.

(b) Corrections. Erasures or other changes in Proposals made by offeror must be explained or otherwise noted over signature of offeror.

(c) Late Proposals. The Government reserves the right to consider proposals or modifications thereof received after the date indicated for such purpose, but before award is made, should such action be in the interest of the Government.

(d) Mistake. In case of mistake in extension of price, the unit price will govern.

(e) Addressing. Proposals and modifications thereof shall be enclosed in double sealed envelopes, addressed to the issuing office, and transmitted by Registered Mail, in strict accordance with Procedure For Mailing Material Classified "Secret and Confidential".

12. NO PROPOSAL.--In the event no proposal is to be submitted, return the Request For Proposals together with all specifications and drawings, if any, to the issuing office, in accordance with Procedure for Mailing Material Classified "Secret and Confidential".

13. SELLER'S INVOICES.--Invoices shall be prepared and submitted in quadruplicate unless otherwise specified, and shall contain the following information: Contract Number, Order Number (if any), and Item Number, contract description of supplies or services, sizes, quantities, unit prices, and extended totals. Bill of Lading Number and weight of shipment will be shown for shipments on Government Bills of Lading. The contractor or his authorized representative will sign ONLY the original (ribbon typed copy, if typed). When the invoice is signed or receipted in the name of the company or corporation, the name of the person signing, as well as the capacity in which he signs, must appear. For example: "John Doe Company, by John Smith, Secretary," "Treasurer," or as the case may be.

<b>SCHEDULE</b> (SUPPLY CONTRACT)						PAGE NO.  <b>1</b>	NUMBER OF PAGES OF SCHEDULE
The supplies or services to be furnished, the specifications, the discounts, the time and place of delivery, and any other special terms and conditions applicable to the Contract, Invitation for Bids, or Request for Proposals (as applicable) are set forth below.							
REQUISITION NO. OR OTHER PURCHASE AUTHORITY				CONTRACT/TASK ORDER/INVITATION/REQUEST NO. (as applicable)			
SHIP TO (consignee and destination)				MAIL INVOICES TO			
PERFORMANCE PERIOD/DELIVERY SCHEDULE							
DELIVERY F.O.B.				INSPECTION			
FOLLOWING DISCOUNTS WILL BE ALLOWED BY CONTRACTOR, BIDDER OR OFFEROR FOR PROMPT PAYMENT							
10 CALENDAR DAYS		PERCENT	20 CALENDAR DAYS		PERCENT	30 CALENDAR DAYS	
ITEM NO.	SUPPLIES OR SERVICES			QUANTITY (Number of Units)	UNIT	UNIT PRICE	AMOUNT
					TOTAL		
NAME OF CONTRACTOR, BIDDER OR OFFEROR							

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**SECRET**

(SCHEDULE)

**SECRET**

CONTRACT/TASK ORDER NO.

## GENERAL SCHEDULE PROVISIONS

- Section 1. Standard Price: The price for any standard commercial equipment hereunder is not in excess of that charged by the Contractor to the public or other Government activities for like quantities of similar equipment.
- Section 2. Inspection: Unless specified otherwise in the contractual document, inspection during the course of the performance of the work hereunder may be made by the technical representative(s) of the Contracting Officer. In any event, final inspection and acceptance shall be at consignee destination.
- Section 3a. Delivery F.O.B.: Unless specified otherwise in the contractual document, the item(s) hereunder is (are) f.o.b. the Contractor's plant. It is understood that the Contractor shall ship by the most economical method and routing, unless otherwise directed, the said item(s) prepaid to the consignee, risk of loss or damage in transit remaining with the Contractor to the point of destination. The Government shall reimburse the Contractor for such transportation costs when billed as a separate item supported by a copy of the prepaid shipping document. The Contractor shall make every effort to meet the specified delivery schedule(s).
- Section 3b. Late Delivery: In the event the Contractor encounters difficulty in meeting performance requirements, or when he anticipates difficulty in complying with the Contract delivery schedule or date, he shall immediately notify the Contracting Officer in writing giving pertinent details; provided, however, that this data shall be informational only in character and that this provision shall not be construed as a waiver by the Government of any delivery schedule or date for any rights or remedies provided by law or under this contract.
- Section 3c. Personal Delivery: In the event any item under this contract is personally delivered to the Technical Representative of the Contracting Officer, a signed receipt in duplicate must be obtained from said representative and one copy attached to any invoice submitted for reimbursement for such item(s). Failure to do so will result in suspension of payment, since the Disbursing Officer is prohibited from making payment without evidence of delivery to other than the designated consignee.
- Section 4a. Packing and Packaging: Unless otherwise specified in this contractual document, packing and packaging shall be in accordance with standard commercial practice for domestic shipment, as set forth in the Uniform Freight Classification for commercial practice, to assure arrival at destination in serviceable condition. The Exterior of the container(s) shall bear the consignee address. In the event the Shipment Indicator is set forth under the Item(s) being procured, then such Shipment Indicator, shown usually as (64-\_\_\_\_\_, Item \_\_\_\_\_) shall also be included in the consignee address.

NAME OF CONTRACTOR

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**SECRET**GROUP 1  
EXCLUDED FROM AUTOMATIC DOWNGRADING  
AND DECLASSIFICATION

(SCHEDULE)

**SECRET**

CONTRACT/TASK ORDER NO.

Section 4b. Markings: No markings shall be applied on any interior packing material or container(s) or exterior of such container(s) that would identify the sponsor. Further, no markings shall be applied on any interior packing material or container that would identify the consignee.

Section 5. Manuals for Production-Type Items: The Contractor will furnish with each production-type item and each standard commercial type item deliverable hereunder, a manual or other data necessary for the user to satisfactorily inspect, operate and maintain the equipment.

Section 6. Security Requirements: The Item(s) per se under this contractual document is (are) UNCLASSIFIED.

The association of the sponsor with the item(s) being procured hereunder is classified SECRET. The classified information shall be divulged only on a "need-to-know" basis and then only to those who have been authorized in writing by this Government component to have access to classified information.

Section 7. Non-Publicity: It is a specific condition of the agreement that the Contractor shall not use or allow to be used any aspect of this agreement for publicity or advertisement purposes. The Contractor may request a waiver of the foregoing but shall not deviate therefrom unless so authorized in writing by the Contracting Officer.

NAME OF CONTRACTOR

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**SECRET**GROUP 1  
EXCLUDED FROM AUTOMATIC DOWNGRADING  
AND DECLASSIFICATION

GENERAL PROVISIONS  
(Supply Contract)

## INDEX

	Page		Page
1. Definitions . . . . .	1	18. Termination for Convenience of the Government . . . . .	4
2. Changes . . . . .	1	19. Authorization and Consent . . . . .	5
3. Extras . . . . .	1	20. Notice and Assistance Regarding Patent Infringement . . . . .	5
4. Variation in Quantity . . . . .	1	21. Buy American Act . . . . .	5
5. Inspection . . . . .	1	22. Notice to the Government of Labor Disputes . . . . .	5
6. Responsibility for Supplies . . . . .	1	23. Patent Indemnity (Predetermined) . . . . .	5
7. Payments . . . . .	2	24. Filing of Patent Applications . . . . .	5
8. Assignment of Claims . . . . .	2	25. Data . . . . .	6
9. Additional Bond Security . . . . .	2	26. Data - Withholding of Payment . . . . .	6
10. Federal, State and Local Taxes . . . . .	2	27. Utilization of Small Business Concerns . . . . .	6
11. Default . . . . .	2	28. Examination of Records . . . . .	6
12. Disputes . . . . .	3	29. Gratuities . . . . .	6
13. Work Hours Act of 1962 - Overtime Compensation . . . . .	3	30. Convict Labor . . . . .	6
14. Walsh-Healy Public Contracts Act . . . . .	3	31. Priorities, Allocations and Allotments . . . . .	6
15. Nondiscrimination in Employment . . . . .	3	32. Packing and Processing Charges . . . . .	6
16. Officials Not to Benefit . . . . .	3	33. Identification and Marking of Shipments . . . . .	6
17. Covenant Against Contingent Fees . . . . .	3	34. Security Requirements . . . . .	7

## 1. DEFINITIONS

As used throughout this contract, the following terms shall have the meanings set forth below:

(a) The term "head of the agency" or "Secretary" means the Secretary, the Under Secretary, any Assistant Secretary, or any other head or assistant head of the executive or military department or other Federal agency; and the term "his duly authorized representative" means any person or persons or board (other than the Contracting Officer) authorized to act for the head of the agency or the Secretary.

(b) The term "Contracting Officer" means the person executing this contract on behalf of the Government, and any other officer or civilian employee who is a properly designated Contracting Officer; and the term includes, except as otherwise provided in this contract, the authorized representative of a Contracting Officer acting within the limits of his authority.

(c) Except as otherwise provided in this contract, the term "subcontracts" includes purchase orders under this contract.

## 2. CHANGES

The Contracting Officer may at any time, by a written order, and without notice to the sureties, make changes, within the general scope of this contract, in any one or more of the following: (i) Drawings, designs, or specifications, where the supplies to be furnished are to be specially manufactured for the Government in accordance therewith; (ii) method of shipment or packing; and (iii) place of delivery. If any such change causes an increase or decrease in the cost of, or the time required for, the performance of any part of the work under this contract, whether changed or not changed by any such order, an equitable adjustment shall be made in the contract price or delivery schedule, or both, and the contract shall be modified in writing accordingly. Any claim by the Contractor for adjustment under this clause must be asserted within 30 days from the date of receipt by the Contractor of the notification of change: Provided, however, That the Contracting Officer, if he decides that the facts justify such action, may receive and act upon any such claim asserted at any time prior to final payment under this contract. Where the cost of property made obsolete or excess as a result of a change is included in the Contractor's claim for adjustment, the Contracting Officer shall have the right to prescribe the manner of disposition of such property. Failure to agree to any adjustment shall be a dispute concerning a question of fact within the meaning of the clause of this contract entitled "Disputes." However, nothing in this clause shall excuse the Contractor from proceeding with the contract as changed.

## 3. EXTRAS

Except as otherwise provided in this contract, no payment for extras shall be made unless such extras and the price therefor have been authorized in writing by the Contracting Officer.

## 4. VARIATION IN QUANTITY

No variation in the quantity of any item called for by this contract will be accepted unless such variation has been caused by conditions of loading, shipping, or packing, or allowances in manufacturing processes, and then only to the extent, if any, specified elsewhere in this contract.

## 5. INSPECTION

(a) All supplies (which term throughout this clause includes without limitation raw materials, components, intermediate assemblies, and end products) shall be subject to inspection and test by the Government, to the extent practicable at all times and places including the period of manufacture, and in any event prior to acceptance.

(b) In case any supplies or lots of supplies are defective in material or workmanship or otherwise not in conformity with the requirements of this contract, the Government shall have the right either to reject them (with or without instructions as to their disposition) or to require their correction. Supplies or lots of supplies which have been rejected or

required to be corrected shall be removed or, if permitted or required by the Contracting Officer, corrected in place by and at the expense of the Contractor promptly after notice, and shall not thereafter be tendered for acceptance unless the former rejection or requirement of correction is disclosed. If the Contractor fails promptly to remove such supplies or lots of supplies which are required to be removed, or promptly to replace or correct such supplies or lots of supplies, the Government either (i) may by contract or otherwise replace or correct such supplies and charge to the Contractor the cost occasioned the Government thereby; or (ii) may terminate this contract for default as provided in the clause of this contract entitled "Default." Unless the Contractor corrects or replaces such supplies within the delivery schedule, the Contracting Officer may require the delivery of such supplies at a reduction in price which is equitable under the circumstances. Failure to agree to such reduction of price shall be a dispute concerning a question of fact within the meaning of the clause of this contract entitled "Disputes."

(c) If any inspection or test is made by the Government on the premises of the Contractor or a subcontractor, the Contractor without additional charge shall provide all reasonable facilities and assistance for the safety and convenience of the Government inspectors in the performance of their duties. If Government inspection or test is made at a point other than the premises of the Contractor or a subcontractor, it shall be at the expense of the Government except as otherwise provided in this contract: Provided, That in case of rejection the Government shall not be liable for any reduction in value of samples used in connection with such inspection or test. All inspections and tests by the Government shall be performed in such a manner as not to unduly delay the work. The Government reserves the right to charge to the Contractor any additional cost of Government inspection and test when supplies are not ready at the time such inspection and test is requested by the Contractor or when reinspection or retest is necessitated by prior rejection. Acceptance or rejection of the supplies shall be made as promptly as practicable after delivery, except as otherwise provided in this contract; but failure to inspect and accept or reject supplies shall neither relieve the Contractor from responsibility for such supplies as are not in accordance with the contract requirements nor impose liability on the Government therefor.

(d) The inspection and test by the Government of any supplies or lots thereof does not relieve the Contractor from any responsibility regarding defects or other failures to meet the contract requirements which may be discovered prior to acceptance. Except as otherwise provided in this contract, acceptance shall be conclusive except as regards latent defects, fraud, or such gross mistakes as amount to fraud.

(e) The Contractor shall provide and maintain an inspection system acceptable to the Government covering the supplies hereunder. Records of all inspection work by the Contractor shall be kept complete and available to the Government during the performance of this contract and for such longer period as may be specified elsewhere in this contract.

## 6. RESPONSIBILITY FOR SUPPLIES

Except as otherwise provided in this contract, (i) the Contractor shall be responsible for the supplies covered by this contract until they are delivered at the designated delivery point, regardless of the point of inspection; (ii) after delivery to the Government at the designated point and prior to acceptance by the Government or rejection and giving notice thereof by the Government, the Government shall be responsible for the loss or destruction of or damage to the supplies only if such loss, destruction, or damage results from the negligence of officers, agents, or employees of the Government acting within the scope of their employment; and (iii) the Contractor shall bear all risks as to rejected supplies after notice of rejection, except that the Government shall be responsible for the loss, or destruction of, or damage to the supplies only if such loss, destruction or damage results from the gross negligence of officers, agents, or employees of the Government acting within the scope of their employment.



**7. PAYMENTS**

The Contractor shall be paid, upon the submission of proper invoices or vouchers, the prices stipulated herein for supplies delivered and accepted or services rendered and accepted, less deductions, if any, as herein provided. Unless otherwise specified, payment will be made on partial deliveries accepted by the Government when the amount due on such deliveries so warrants; or, when requested by the Contractor, payment for accepted partial deliveries shall be made whenever such payment would equal or exceed either \$1,000 or 50 percent of the total amount of this contract.

**8. ASSIGNMENT OF CLAIMS**

(a) Pursuant to the provisions of the Assignment of Claims Act of 1940, as amended (31 U. S. Code 203, 41 U. S. Code 15), if this contract provides for payments aggregating \$1,000 or more, claims for monies due or to become due the Contractor from the Government under this contract may be assigned to a bank, trust company, or other financing institution, including any Federal lending agency, and may thereafter be further assigned and reassigned to any such institution. Any such assignment or reassignment shall cover all amounts payable under this contract and not already paid, and shall not be made to more than one party, except that any such assignment or reassignment may be made to one party as agent or trustee for two or more parties participating in such financing. Notwithstanding any provisions of this contract, payments to an assignee of any monies due or to become due under this contract shall not, to the extent provided in said Act, as amended, be subject to reduction or set-off. (The preceding sentence applies only if this contract is with the Department of Defense, the General Services Administration, the Atomic Energy Commission, or any other department or agency of the United States designated by the President pursuant to clause 4 of the proviso of section 1 of the Assignment of Claims Act of 1940, as amended by the Act of May 15, 1951, 65 Stat. 41.)

(b) In no event shall copies of this contract or of any plans, specifications, or other similar documents relating to work under this contract, if marked "Top Secret," "Secret," or "Confidential," be furnished to any assignee of any claim arising under this contract or to any other person not entitled to receive the same: Provided, That a copy of any part or all of this contract so marked may be furnished, or any information contained therein may be disclosed, to such assignee upon the prior written authorization of the Contracting Officer. (See General Provision 33 - "Security Requirements.")

**9. ADDITIONAL BOND SECURITY**

If any surety upon any bond furnished in connection with this contract becomes unacceptable to the Government, or if any such surety fails to furnish reports as to his financial condition from time to time as requested by the Government, the Contractor shall promptly furnish such additional security as may be required from time to time to protect the interests of the Government and of persons supplying labor or materials in the prosecution of the work contemplated by this contract.

**10. FEDERAL, STATE, AND LOCAL TAXES** (The provisions of this clause shall be applicable only if the amount of the contract exceeds \$2,500.00)

(a) As used throughout this clause, the term "tax inclusive date" means the date of negotiated contracts and the date set for the opening of bids for contracts entered into through formal advertising. As to additional supplies or services procured by modification to this contract, the term "tax inclusive date" means the date of such modification.

(b) Except as may be otherwise provided in this contract, the contract price includes all Federal, State, and local taxes and duties in effect and applicable to this contract on the tax inclusive date, except taxes (other than Federal transportation taxes) from which the Government, the Contractor, or the transactions or property covered by this contract are then exempt. Unless specifically excluded, duties are included in the contract price, and, if freight is included in the contract price, Federal transportation taxes are likewise included.

(c) (1) If the Contractor is required to pay or bear the burden

(i) of any tax or duty, which either was not to be included in the contract price pursuant to the requirements of paragraph (b), or was specifically excluded from the contract price by a provision of this contract; or

(ii) of an increase in rate of any tax or duty, whether or not such tax or duty was excluded from the contract price;

or of any interest or penalty thereon, the contract price shall be correspondingly increased; provided that the Contractor warrants in writing that no amount for such tax, duty, or rate increase was included in the contract price as a contingency reserve or otherwise; and provided further that liability for such tax, duty, rate increase, interest, or penalty was not incurred through the fault or negligence of the Contractor or his failure to follow instructions of the Contracting Officer.

(2) If the Contractor is not required to pay or bear the burden, or obtains a refund or drawback, in whole or in part, of any tax, duty, interest, or penalty which (i) was to be included in the contract price pursuant to the requirements of paragraph (b), (ii) was included in the contract price, or (iii) was the basis of an increase in the contract price, the contract price shall be correspondingly decreased or the amount of such relief, refund, or drawback shall be paid to the Government, as directed by the Contracting Officer. The contract price

also shall be correspondingly decreased if the Contractor, through its fault or negligence or its failure to follow instructions of the Contracting Officer, is required to pay or bear the burden, or does not obtain a refund or drawback of any such tax, duty, interest, or penalty. Interest paid or credited to the Contractor incident to a refund of taxes shall inure to the benefit of the Government to the extent that such interest was earned after the Contractor was paid or reimbursed by the Government for such taxes.

(3) Invoices or vouchers covering any adjustment of the contract price pursuant to this paragraph (c) shall set forth the amount thereof as a separate item and shall identify the particular tax involved.

(4) Nothing in this paragraph (c) shall be applicable to social security taxes; net income taxes; excess profit taxes; capital stock taxes; Federal transportation taxes, except changes in the rate thereof, including repeal, pertaining to shipments from the Contractor to the Government; unemployment compensation taxes; or any State and local taxes, except those levied on or measured by the contract or sales price of the services or completed supplies furnished under this contract, including gross income taxes, gross receipts taxes, sales and use taxes, excise taxes, or franchise or occupation taxes measured by sales or receipts from sales.

(5) No adjustment of less than \$100 shall be made in the contract price pursuant to this paragraph.

(d) Unless there does not exist any reasonable basis to sustain an exemption, the Government agrees upon request of the Contractor, without further liability except as otherwise provided in this contract, to furnish evidence appropriate to establish exemption from (i) any Federal tax, which the Contractor warrants in writing was excluded from the contract price, or (ii) any State or local tax; provided that evidence appropriate to establish exemption from duties will be furnished, and Government bills of lading will be issued, only at the discretion of the Contracting Officer. In addition, the Contracting Officer may furnish evidence appropriate to establish exemption from any tax that may, pursuant to this clause, give rise to either an increase or decrease in the contract price.

(e) (1) The Contractor shall promptly notify the Contracting Officer of all matters pertaining to Federal, State, and local taxes and duties that reasonably may result in either an increase or decrease in the contract price.

(2) Whenever an increase or decrease in the contract price may be required under this clause, the Contractor shall take action as directed by the Contracting Officer, and the contract price shall be equitably adjusted to cover the costs of such action, including any interest, penalty, and reasonable attorney's fees.

**11. DEFAULT**

(a) The Government may, subject to the provisions of paragraph (c) below, by written notice of default to the Contractor, terminate the whole or any part of this contract in any one of the following circumstances:

(i) if the Contractor fails to make delivery of the supplies or to perform the services within the time specified herein or any extension thereof; or

(ii) if the Contractor fails to perform any of the other provisions of this contract, or so fails to make progress as to endanger performance of this contract in accordance with its terms, and in either of these two circumstances does not cure such failure within a period of 10 days (or such longer period as the Contracting Officer may authorize in writing) after receipt of notice from the Contracting Officer specifying such failure.

(b) In the event the Government terminates this contract in whole or in part as provided in paragraph (a) of this clause, the Government may procure, upon such terms and in such manner as the Contracting Officer may deem appropriate, supplies or services similar to those so terminated, and the Contractor shall be liable to the Government for any excess costs for such similar supplies or services: Provided, That the Contractor shall continue the performance of this contract to the extent not terminated under the provisions of this clause.

(c) Except with respect to defaults of subcontractors, the Contractor shall not be liable for any excess costs if the failure to perform the contract arises out of causes beyond the control and without the fault or negligence of the Contractor. Such causes may include, but are not restricted to, acts of God or of the public enemy, acts of the Government in either its sovereign or contractual capacity, fires, floods, epidemics, quarantine restrictions, strikes, freight embargoes, and unusually severe weather; but in every case the failure to perform must be beyond the control and without the fault or negligence of the Contractor. If the failure to perform is caused by the default of a subcontractor, and if such default arises out of causes beyond the control of both the Contractor and subcontractor, and without the fault or negligence of either of them, the Contractor shall not be liable for any excess costs for failure to perform, unless the supplies or services to be furnished by the subcontractor were obtainable from other sources in sufficient time to permit the Contractor to meet the required delivery schedule.

(d) If this contract is terminated as provided in paragraph (a) of this clause, the Government, in addition to any other rights provided in this clause, may require the Contractor to transfer title and deliver to the Government, in the manner and to the extent directed by the Contracting Officer, (i) any completed supplies, and (ii) such partially completed supplies and materials, parts, tools, dies, jigs, fixtures, plans,

drawings, information, and contract rights (hereinafter called "manufacturing materials") as the Contractor has specifically produced or specifically acquired for the performance of such part of this contract as has been terminated; and the Contractor shall, upon direction of the Contracting Officer, protect and preserve property in possession of the Contractor in which the Government has an interest. Payment for completed supplies delivered to and accepted by the Government shall be at the contract price. Payment for manufacturing materials delivered to and accepted by the Government and for the protection and preservation of property shall be in an amount agreed upon by the Contractor and the Contracting Officer; failure to agree to such amount shall be a dispute concerning a question of fact within the meaning of the clause of this contract entitled "Disputes." The Government may withhold from amounts otherwise due the Contractor for such completed supplies or manufacturing materials such sum as the Contracting Officer determines to be necessary to protect the Government against loss because of outstanding liens or claims of former lien holders.

(e) If, after notice of termination of this contract under the provisions of this clause, it is determined for any reason that the Contractor was not in default under the provisions of this clause, or that the default was excusable under the provisions of this clause, the rights and obligations of the parties shall, if the contract contains a clause providing for termination for convenience of the Government, be the same as if the notice of termination had been issued pursuant to such clause.

If, after notice of termination of this contract under the provisions of this clause, it is determined for any reason that the Contractor was not in default under the provisions of this clause, and if this contract does not contain a clause providing for termination for convenience of the Government, the contract shall be equitably adjusted to compensate for such termination and the contract modified accordingly; failure to agree to any such adjustment shall be a dispute concerning a question of fact within the meaning of the clause of this contract entitled "Disputes."

(f) The rights and remedies of the Government provided in this clause shall not be exclusive and are in addition to any other rights and remedies provided by law or under this contract.

#### 12. DISPUTES

(a) Except as otherwise provided in this contract, any dispute concerning a question of fact arising under this contract which is not disposed of by agreement shall be decided by the Contracting Officer, who shall reduce his decision to writing and mail or otherwise furnish a copy thereof to the Contractor. The decision of the Contracting Officer shall be final and conclusive unless, within 30 days from the date of receipt of such copy, the Contractor mails or otherwise furnishes to the Contracting Officer a written appeal addressed to the Secretary. The decision of the Secretary or his duly authorized representative for the determination of such appeals shall be final and conclusive unless determined by a court of competent jurisdiction to have been fraudulent, or capricious, or arbitrary, or so grossly erroneous as necessarily to imply bad faith, or not supported by substantial evidence. In connection with any appeal proceeding under this clause, the Contractor shall be afforded an opportunity to be heard and to offer evidence in support of its appeal. Pending final decision of a dispute hereunder, the Contractor shall proceed diligently with the performance of the contract and in accordance with the Contracting Officer's decision.

(b) This "Disputes" clause does not preclude consideration of law questions in connection with decisions provided for in paragraph (a) above: Provided, That nothing in this contract shall be construed as making final the decision of any administrative official, representative, or board on a question of law.

#### 13. WORK HOURS ACT OF 1962--OVERTIME COMPENSATION

This contract, to the extent that it is of a character specified in the Work Hours Act of 1962 (Public Law 87-581, 76 Stat. 357-380) and is not covered by the Walsh-Healey Public Contracts Act (41 U.S.C. 35-45), is subject to the following provisions and to all other provisions and exceptions of said Work Hours Act of 1962.

(a) No contractor or subcontractor contracting for any part of the contract work shall require or permit any laborer or mechanic to be employed on such work in excess of eight hours in any calendar day or in excess of forty hours in any workweek unless such laborer or mechanic receives compensation at a rate not less than one and one-half times his basic rate of pay for all hours worked in excess of eight hours in any calendar day or in excess of forty hours in such workweek, whichever is the greater number of overtime hours.

(b) In the event of any violation of the provisions of paragraph (a), the contractor and any subcontractor responsible for such violation shall be liable to any affected employee for his unpaid wages. In addition, such contractor or subcontractor shall be liable to the United States for liquidated damages. Such liquidated damages shall be computed, with respect to each individual laborer or mechanic employed in violation of the provisions of paragraph (a), in the sum of \$10 for each calendar day on which such employee was required or permitted to work in excess of eight hours or in excess of forty hours in a workweek without payment of the required overtime wages.

(c) The Contracting Officer may withhold, or cause to be withheld, from moneys payable on account of work performed by the contractor or subcontractor, the full amount of wages required by this contract and

such sums as may administratively be determined to be necessary to satisfy any liabilities of such contractor or subcontractor for liquidated damages as provided in paragraph (b).

#### 14. WALSH-HEALEY PUBLIC CONTRACTS ACT

If this contract is for the manufacture or furnishing of materials, supplies, articles, or equipment in an amount which exceeds or may exceed \$10,000 and is otherwise subject to the Walsh-Healey Public Contracts Act, as amended (41 U.S. Code 35-45), there are hereby incorporated by reference all representations and stipulations required by said Act and regulations issued thereunder by the Secretary of Labor, such representations and stipulations being subject to all applicable rulings and interpretations of the Secretary of Labor which are now or may hereafter be in effect.

#### 15. NONDISCRIMINATION IN EMPLOYMENT

In connection with the performance of work under this contract, the Contractor agrees as follows:

(a) The Contractor will not discriminate against any employee or applicant for employment because of race, creed, color, or national origin. The Contractor will take affirmative action to ensure that applicants are employed, and that employees are treated during employment, without regard to their race, creed, color, or national origin. Such action shall include, but not be limited to, the following: Employment, upgrading, demotion or transfer; recruitment or recruitment advertising; layoff or termination; rates of pay or other forms of compensation; and selection for training, including apprenticeship. The Contractor agrees to post in conspicuous places, available to employees and applicants for employment, notices to be provided by the Contracting Officer setting forth the provisions of this nondiscrimination clause.

(b) The Contractor will, in all solicitations or advertisements for employees placed by or on behalf of the Contractor, state that all qualified applicants will receive consideration for employment without regard to race, creed, color, or national origin.

(c) The Contractor will send to each labor union or representative of workers with which he has a collective bargaining agreement or other contract or understanding, a notice, to be provided by the agency Contracting Officer, advising the said labor union or workers representative of the Contractor's commitments under this section, and shall post copies of the notice in conspicuous places available to employees and applicants for employment.

(d) The Contractor will comply with all provisions of Executive Order No. 10925 of March 6, 1961, and of the rules, regulations, and relevant orders of the President's Committee on Equal Employment Opportunity created thereby.

(e) The Contractor will furnish all information and reports required by Executive Order No. 10925 of March 6, 1961, and by the rules, regulations, and orders of the said Committee or pursuant thereto, and will permit access to his books, records, and accounts by the Contracting agency and the Committee for purposes of investigation to ascertain compliance with such rules, regulations, and orders.

(f) In the event of the Contractor's non-compliance with the nondiscrimination clauses of this contract or with any of the said rules, regulations, or orders, this contract may be cancelled in whole or in part and the Contractor may be declared ineligible for further Government contracts in accordance with procedures authorized in Executive Order No. 10925 of March 6, 1961, and such other sanctions may be imposed and remedies invoked as provided in the said Executive Order or by rule, regulation, or order of the President's Committee on Equal Employment Opportunity, or as otherwise provided by law.

(g) The Contractor will include the provisions of the foregoing paragraphs (a) through (f) in every subcontract or purchase order unless exempted by rules, regulations, or orders of the President's Committee on Equal Employment Opportunity issued pursuant to Section 303 of Executive Order No. 10925 of March 6, 1961, so that such provisions will be binding upon each subcontractor or vendor. The Contractor will take such action with respect to any subcontract or purchase order as the contracting agency may direct as a means of enforcing such provisions, including sanctions for non-compliance; provided, however, that in the event the Contractor becomes involved in, or is threatened with, litigation with a subcontractor or vendor as a result of such direction by the contracting agency, the Contractor may request the United States to enter into such litigation to protect the interests of the United States.

#### 16. OFFICIALS NOT TO BENEFIT

No member of or delegate to Congress, or resident commissioner, shall be admitted to any share or part of this contract, or to any benefit that may arise therefrom; but this provision shall not be construed to extend to this contract if made with a corporation for its general benefit.

#### 17. COVENANT AGAINST CONTINGENT FEES

The Contractor warrants that no person or selling agency has been employed or retained to solicit or secure this contract upon an agreement or understanding for a commission, percentage, brokerage, or contingent fee, excepting bona fide employees or bona fide established commercial or selling agencies maintained by the Contractor for the purpose of securing business. For breach or violation of this warranty the Government shall have the right to annul this contract without liability or in its discretion to deduct from the contract price or consideration, or otherwise recover, the full amount of such commission, percentage, brokerage, or contingent fee.

## 18. TERMINATION FOR CONVENIENCE OF THE GOVERNMENT

(a) The performance of work under this contract may be terminated by the Government in accordance with this clause in whole, or from time to time in part, whenever the Contracting Officer shall determine that such termination is in the best interest of the Government. Any such termination shall be effected by delivery to the Contractor of a Notice of Termination specifying the extent to which performance of work under the contract is terminated, and the date upon which such termination becomes effective.

(b) After receipt of a Notice of Termination, and except as otherwise directed by the Contracting Officer, the Contractor shall:

- (i) stop work under the contract on the date and to the extent specified in the Notice of Termination;
- (ii) place no further orders or subcontracts for materials, services or facilities, except as may be necessary for completion of such portion of the work under the contract as is not terminated;
- (iii) terminate all order and subcontracts to the extent that they relate to the performance of work terminated by the Notice of Termination;
- (iv) assign to the Government, in the manner, at the times, and to the extent directed by the Contracting Officer, all of the right, title, and interest of the Contractor under the orders and subcontracts so terminated, in which case the Government shall have the right, in its discretion, to settle or pay any or all claims arising out of the termination of such orders and subcontracts;
- (v) settle all outstanding liabilities and all claims arising out of such termination of orders and subcontracts, with the approval or ratification of the Contracting Officer, to the extent he may require, which approval or ratification shall be final for all the purposes of this clause;
- (vi) transfer title and deliver to the Government, in the manner, at the times, and to the extent, if any, directed by the Contracting Officer, (A) the fabricated, or unfabricated parts, work in process, completed work, supplies, and other material produced as a part of, or acquired in connection with the performance of, the work terminated by the Notice of Termination, and (B) the completed or partially completed plans, drawings, information, and other property which, if the contract had been completed, would have been required to be furnished to the Government;
- (vii) use his best efforts to sell, in the manner, at the times, to the extent, and at the price or prices directed or authorized by the Contracting Officer, any property of the types referred to in (vi) above; provided, however, that the Contractor (A) shall not be required to extend credit to any purchaser, and (B) may acquire any such property under the conditions prescribed by and at a price or prices approved by the Contracting Officer; and provided further that the proceeds of any such transfer or disposition shall be applied in reduction of any payments to be made by the Government to the Contractor under this contract or shall otherwise be credited to the price or cost of the work covered by this contract or paid in such other manner as the Contracting Officer may direct;
- (viii) complete performance of such part of the work as shall not have been terminated by the Notice of Termination; and
- (ix) take such action as may be necessary, or as the Contracting Officer may direct, for the protection and preservation of the property related to this contract which is in the possession of the Contractor and in which the Government has or may acquire an interest.

At any time after expiration of the plant clearance period, as defined in Section VIII, Armed Services Procurement Regulation, as it may be amended from time to time, the Contractor may submit to the Contracting Officer a list, certified as to quantity and quality, of any or all items of terminations inventory not previously disposed of, exclusive of items the disposition of which has been directed or authorized by the Contracting Officer, and may request the Government to remove such items or enter into a storage agreement covering them. Not later than fifteen (15) days thereafter, the Government will accept title to such items and remove them or enter into a storage agreement covering the same; provided, that the list submitted shall be subject to verification by the Contracting Officer upon removal of the items, or if the items are stored, within forty-five (45) days from the date of submission of the list, and any necessary adjustment to correct the list as submitted shall be made prior to final settlement.

(c) After receipt of a Notice of Termination, the Contractor shall submit to the Contracting Officer his termination claim, in the form and with certification prescribed by the Contracting Officer. Such claim shall be submitted promptly but in no event later than one year from the effective date of termination, unless one or more extensions in writing are granted by the Contracting Officer, upon request of the Contractor made in writing within such one year period or authorized extension thereof. However, if the Contracting Officer determines that the facts justify such action, he may receive and act upon any such termination claim at any time after such one year period or any extension thereof. Upon failure of the Contractor to submit his termination claim within the time allowed, the Contracting Officer may, subject to any Settlement Review Board approvals required by Section VIII of the Armed Services Procurement

Regulation in effect as of the date of execution of this contract, determine, on the basis of information available to him, the amount, if any, due to the Contractor by reason of the termination and shall thereupon pay to the Contractor the amount so determined.

(d) Subject to the provisions of paragraph (c), and subject to any Settlement Review Board approvals required by Section VIII of the Armed Services Procurement Regulation in effect as of the date of execution of this contract, the Contractor and the Contracting Officer may agree upon the whole or any part of the amount or amounts to be paid to the Contractor by reason of the total or partial termination of work pursuant to this clause, which amount or amounts may include a reasonable allowance for profit on work done; provided, that such agreed amount or amounts, exclusive of settlement costs, shall not exceed the total contract price as reduced by the amount of payments otherwise made and as further reduced by the contract price of work not terminated. The contract shall be amended accordingly, and the Contractor shall be paid the agreed amount. Nothing in paragraph (e) of this clause, prescribing the amount to be paid to the Contractor in the event of failure of the Contractor and the Contracting Officer to agree upon the whole amount to be paid to the Contractor by reason of the termination of work pursuant to this clause, shall be deemed to limit, restrict, or otherwise determine or affect the amount or amounts which may be agreed upon to be paid to the Contractor pursuant to this paragraph (d).

(e) In the event of the failure of the Contractor and the Contracting Officer to agree as provided in paragraph (d) upon the whole amount to be paid to the Contractor by reason of the termination of work pursuant to this clause, the Contracting Officer shall, subject to any Settlement Review Board approvals required by Section VIII of the Armed Services Procurement Regulation in effect as of the date of execution of this contract, determine, on the basis of information available to him, the amount, if any, due to the Contractor by reason of the termination and shall pay to the Contractor the amounts determined as follows:

- (i) for completed supplies accepted by the Government (or sold or acquired as provided in paragraph (b) (vi) above) and not theretofore paid for, a sum equivalent to the aggregate price for such supplies computed in accordance with the price or prices specified in the contract, appropriately adjusted for any saving of freight or other charges;
- (ii) the total of --
  - (A) the costs incurred in the performance of the work terminated, including initial costs and preparatory expense allocable thereto, but exclusive of any costs attributable to supplies paid or to be paid for under paragraph (e) (i) hereof;
  - (B) the cost of settling and paying claims arising out of the termination of work under subcontracts or orders, as provided in paragraph (b) (v) above, which are properly chargeable to the terminated portion of the contract (exclusive of amounts paid or payable on account of supplies or materials delivered or services furnished by subcontractors or vendors prior to the effective date of the Notice of Termination, which amounts shall be included in the costs payable under (A) above; and
  - (C) a sum, as a profit, equal to 2 percent of that part of the amount determined under (A) above which represents the cost of articles and materials not processed by the Contractor, plus a sum equal to 8 percent of the remainder of such amount, but the aggregate of such sums shall not exceed 6 percent of the whole of the amount determined under (A) above; provided, however, that if it appears that the Contractor would have sustained a loss on the entire contract had it been completed, no profit shall be included or allowed under this subdivision (C) and an appropriate adjustment shall be made reducing the amount of the settlement to reflect the indicated rate of loss; and
- (iii) the reasonable costs of settlement, including accounting, legal, clerical, and other expenses reasonably necessary for the preparation of settlement claims and supporting data with respect to the terminated portion of the contract and for the termination and settlement of subcontracts thereunder, together with reasonable storage, transportation, and other costs incurred in connection with the protection or disposition of property allocable to this contract.

The total sum to be paid to the Contractor under (i) and (ii) of this paragraph (e) shall not exceed the total contract price as reduced by the amount of payments otherwise made and as further reduced by the contract price of work not terminated. Except for normal spoilage, and except to the extent that the Government shall have otherwise expressly assumed the risk of loss, there shall be excluded from the amounts payable to the Contractor as provided in (e) (i) and (ii) (A) above, the fair value, as determined by the Contracting Officer, of property which is destroyed, lost, stolen, or damaged so as to become undeliverable to the Government, or to a buyer pursuant to paragraph (b) (vii).

(f) Any determination of costs under paragraph (c) or (e) hereof shall be governed by the principles for consideration of costs set forth in Section XV, Part 2, of the Armed Services Procurement Regulation, as in effect on the date of this contract.

(g) The Contractor shall have the right of appeal, under the clause of this contract entitled "Disputes," from any determination made by the Contracting Officer under paragraph (c) or (e) above, except that if the

Contractor has failed to submit his claim within the time provided in paragraph (c) above and has failed to request extension of such time, he shall have no such right of appeal. In any case where the Contracting Officer has made a determination of the amount due under paragraph (c) or (e) above, the Government shall pay to the Contractor the following: (i) if there is no right of appeal hereunder or if no timely appeal has been taken, the amount so determined by the Contracting Officer, or (ii) if an appeal has been taken, the amount finally determined on such appeal.

(h) In arriving at the amount due the Contractor under this clause there shall be deducted (i) all unliquidated advance or other payments on account theretofore made to the Contractor, applicable to the terminated portion of this contract, (ii) any claim which the Government may have against the Contractor in connection with this contract, and (iii) the agreed price for, or the proceeds of sale of, any materials, supplies, or other things acquired by the Contractor or sold, pursuant to the provisions of this clause, and not otherwise recovered by or credited to the Government.

(i) If the termination hereunder be partial, prior to the settlement of the terminated portion of this contract, the Contractor may file with the Contracting Officer a request in writing for an equitable adjustment of the price or prices specified in the contract relating to the continued portion of the contract (the portion not terminated by the Notice of Termination), and such equitable adjustment as may be agreed upon shall be made in such price or prices.

(j) The Government may from time to time, under such terms and conditions as it may prescribe, make partial payments and payments on account against costs incurred by the Contractor in connection with the terminated portion of this contract whenever in the opinion of the Contracting Officer the aggregate of such payments shall be within the amount to which the Contractor will be entitled hereunder. If the total of such payments is in excess of the amount finally agreed or determined to be due under this clause, such excess shall be payable by the Contractor to the Government upon demand, together with interest computed at the rate of 6 percent per annum, for the period from the date such excess payment is received by the Contractor to the date on which such excess is repaid to the Government; provided, however, that no interest shall be charged with respect to any such excess payment attributable to a reduction in the Contractor's claim by reason of retention or other disposition of termination inventory until ten days after the date of such retention or disposition, or such later date as determined by the Contracting Officer by reason of the circumstances.

(k) Unless otherwise provided for in this contract, or by applicable statute, the Contractor, from the effective date of termination and for a period of three years after final settlement under this contract, shall preserve and make available to the Government at all reasonable times at the office of the Contractor but without direct charge to the Government, all his books, records, documents, and other evidence bearing on the costs and expenses of the Contractor under this contract and relating to the work terminated hereunder, or, to the extent approved by the Contracting Officer, photographs, micro-photographs, or other authentic reproductions thereof.

#### 19. AUTHORIZATION AND CONSENT

The Government hereby gives its authorization and consent (without prejudice to its rights of indemnification, if such rights are provided for in this contract) for all use and manufacture, in the performance of this contract or any part hereof or any amendment hereto or any subcontract hereunder (including any lower-tier subcontract), of any invention described in and covered by a patent of the United States (i) embodied in the structure or composition of any article the delivery of which is accepted by the Government under this contract, or (ii) utilized in the machinery, tools, or methods the use of which necessarily results from compliance by the Contractor or the using subcontractor with (a) specifications or written provisions now or hereafter forming a part of this contract, or (b) specific written instructions given by the Contracting Officer directing the manner of performance. The Contractor's entire liability to the Government for infringement of a patent of the United States shall be determined solely by the provisions of the indemnity clause, if any, included in the contract and the Government assumes liability for all other infringement to the extent of the authorization and consent hereinabove granted.

#### 20. NOTICE AND ASSISTANCE REGARDING PATENT INFRINGEMENT

The provisions of this clause shall be applicable only if the amount of this contract exceeds \$10,000.

(a) The Contractor shall report to the Contracting Officer, promptly and in reasonable written detail, each notice or claim of patent infringement based on the performance of this contract of which the Contractor has knowledge.

(b) In the event of any suit against the Government, or any claim against the Government made before suit has been instituted, on account of any alleged patent infringement arising out of the performance of this contract or out of the use of any supplies furnished or work or services performed hereunder, the Contractor shall furnish to the Government, upon request, all evidence and information in possession of the Contractor pertaining to such suit or claim. Such evidence and information shall be furnished at the expense of the Government except in those cases in which the Contractor has agreed to indemnify the Government against the claim being asserted.

#### 21. BUY AMERICAN ACT

(a) In acquiring end products, the Buy American Act (41 U.S.C. 10a-d) provides that the Government give preference to domestic source end products. For the purpose of this clause:

(i) "components" means those articles, materials, and supplies, which are directly incorporated in the end products;

(ii) "end products" means those articles, materials, and supplies, which are to be acquired under this contract for public use; and

(iii) a "domestic source end product" means (A) an unmanufactured end product which has been mined or produced in the United States and (B) an end product manufactured in the United States if the cost of the components thereof which are mined, produced, or manufactured in the United States or Canada exceeds 50 percent of the cost of all its components. For the purposes of this (a) (iii) (B), components of foreign origin of the same type or kind as the products referred to in (b) (i) of this clause shall be treated as components mined, produced, or manufactured in the United States.

(b) The Contractor agrees that there will be delivered under this contract only domestic source end products, except end products:

(i) which are for use outside the United States;

(ii) which the Government determines are not mined, produced, or manufactured in the United States in sufficient and reasonably available commercial quantities and of a satisfactory quality;

(iii) as to which the Secretary determines the domestic preference to be inconsistent with the public interest; or

(iv) as to which the Secretary determines the cost to the Government to be unreasonable.

(The foregoing requirements are administered in accordance with Executive Order No. 10582, dated December 17, 1954.)

#### 22. NOTICE TO THE GOVERNMENT OF LABOR DISPUTES

(a) Whenever the Contractor has knowledge that any actual or potential labor dispute is delaying or threatens to delay the timely performance of this contract, the Contractor shall immediately give notice thereof, including all relevant information with respect thereto, to the Contracting Officer.

(b) The Contractor agrees to insert the substance of this clause, including this paragraph (b), in any subcontract hereunder as to which a labor dispute may delay the timely performance of this contract; except that each such subcontract shall provide that in the event its timely performance is delayed or threatened by delay by any actual or potential labor dispute, the subcontractor shall immediately notify his next higher tier subcontractor, or the prime contractor, as the case may be, of all relevant information with respect to such dispute.

#### 23. PATENT INDEMNITY (PREDETERMINED)

The provisions of this clause shall be applicable only to such supplies, ordered hereunder which normally are or have been sold or offered for sale by the Contractor to the public in the commercial open market or are such supplies with relatively minor modifications made thereto. If the amount of this contract is in excess of \$5,000, the Contractor shall indemnify the Government and its officers, agents, and employees against liability, including costs, for infringement of any United States letters patent (except letters patent issued upon an application which is now or may hereafter be kept secret or otherwise withheld from issue by order of the Government) arising out of the manufacture or delivery of supplies or out of construction, alteration, modification, or repair of real property (hereinafter referred to as "construction work") under this contract, or out of the use or disposal by or for the account of the Government of such supplies or construction work. The foregoing indemnity shall not apply unless the Contractor shall have been informed as soon as practicable by the Government of the suit or action alleging such infringement, and shall have been given such opportunity as is afforded by applicable laws, rules, or regulations to participate in the defense thereof; and further, such indemnity shall not apply if: (i) the infringement results from compliance with specific written instructions of the Contracting Officer directing a change in the supplies to be delivered or in the materials or equipment to be used, or directing a manner of performance of the contract not normally used by the Contractor; or (ii) the infringement results from the addition to, or change in, the supplies furnished or construction work performed, which addition or change was made subsequent to delivery or performance by the Contractor; or (iii) the claimed infringement is settled without the consent of the Contractor, unless required by final decree of a court of competent jurisdiction.

The foregoing shall not apply to the contract items, if any, specifically excluded herefrom in the SCHEDULE.

#### 24. FILING OF PATENT APPLICATIONS

(a) Before filing or causing to be filed a patent application disclosing any subject matter of this contract, which subject matter is classified "SECRET" or higher, the Contractor shall, citing the thirty (30) day provision below, transmit the proposed application to the Contracting Officer for determination whether, for reasons of national security, such application should be placed under an order of secrecy or sealed in accordance with the provisions of 35 U.S. Code 181 - 188 or the issuance of a patent should be otherwise delayed under pertinent statutes or regulations; and the Contractor shall observe any instructions of the Contracting Officer with respect to the manner of delivery of the patent application to the U.S. Patent Office for filing, but the Contractor shall not



be denied the right to file such patent application. If the Contracting Officer shall not have given any such instructions within thirty (30) days from the date of mailing or other transmittal of the proposed application the Contractor may file the application.

(b) The Contractor shall furnish to the Contracting Officer at the time of or prior to the time when the Contractor files or causes to be filed a patent application disclosing any subject matter of this contract, which subject matter is classified "Confidential" a copy of such application for determination whether, for reasons of national security, such application should be placed under an order of secrecy or the issuance of a patent should be otherwise delayed under pertinent statutes or regulations.

(c) In filing any patent application coming within the scope of this clause, the Contractor shall observe all applicable security regulations covering the transmission of classified subject matter.

## 25. DATA

(a) The term "Subject Data" as used herein includes writings, sound recordings, pictorial reproductions, drawings or other graphical representations, and works of any similar nature (whether or not copyrighted) which are specified to be delivered under this contract. The term does not include financial reports, cost analyses, and other information incidental to contract administration.

(b) The Contractor agrees to and does hereby grant to the Government, and to its officers, agents, and employees acting within the scope of their official duties, a royalty-free, nonexclusive and irrevocable license throughout the world for Government purposes to publish, translate, reproduce, deliver, perform, dispose of, and to authorize others so to do, all Subject Data now or hereafter covered by copyright.

(c) The Contractor shall not include in the Subject Data any copyrighted matter, without the written approval of the Contracting Officer, unless he provides the Government with the written permission of the copyright owner for the Government to use such copyrighted matter in the manner provided in paragraph (b) above.

(d) The Contractor shall report to the Contracting Officer, promptly and in reasonable written detail, each notice or claim of copyright infringement received by the Contractor with respect to all Subject Data delivered under this contract.

(e) Nothing contained in this clause shall imply a license to the Government under any patent or be construed as affecting the scope of any license or other right otherwise granted to the Government under any patent.

(f) Unless otherwise limited below, the Government may duplicate, use, and disclose in any manner and for any purpose whatsoever, and have others so do, all Subject Data delivered under this contract.

(g) The Contractor recognizes that the Government, or a foreign government with funds derived through the Mutual Security Program or otherwise through the United States Government, may contract for property or services with respect to which the vendor may be liable to the Contractor for charges for the use of Subject Data on account of such a contract. The Contractor further recognizes that it is the policy of the Government not to pay in connection with its contracts, or to allow to be paid in connection with contracts made with funds derived through the Mutual Security Program or otherwise through the United States Government, charges for data which the Government has a right to use and disclose to others, or which is in the public domain, or with respect to which the Government has been placed in possession without restrictions upon its use and disclosure to others. This policy does not apply to reasonable reproduction, handling, mailing, and similar administrative costs incident to the furnishing of such data. In recognition of this policy, the Contractor agrees to participate in and make appropriate arrangements for the exclusion of such charges from such contracts or for the refund of amounts received by the Contractor with respect to any such charges not so excluded.

(h) Notwithstanding any provisions of this contract concerning inspection and acceptance, the Government shall have the right at any time to modify, remove, obliterate or ignore any marking not authorized by the terms of this contract on any piece of Subject Data furnished under this contract.

## 26. DATA - WITHHOLDING OF PAYMENT

If "Subject Data" (as defined in the clause of this contract entitled "Data"), or any part thereof, is not delivered within the time specified by this contract or is deficient upon delivery (including having restrictive markings not specifically authorized by the contract), the Contracting Officer may, until such data is delivered or deficiencies are corrected, withhold payment to the Contractor of ten percent (10%) of the contract price unless a lesser withholding is specified in the schedule. Payments shall not be withheld nor any other action taken pursuant to this clause where the Contractor's failure to make timely delivery or to deliver data without deficiencies arises out of causes beyond the control and without the fault or negligence of the Contractor within the meaning of the clause hereof entitled "Default." The withholding of any amount or subsequent payment thereof to the Contractor shall not be construed as a waiver of any rights accruing to the Government under this contract.

## 27. UTILIZATION OF SMALL BUSINESS CONCERNS

(a) It is the policy of the Government as declared by the Congress that a fair proportion of the purchases and contracts for supplies and services for the Government be placed with small business concerns.

(b) The Contractor agrees to accomplish the maximum amount of subcontracting to small business concerns that the Contractor finds to be consistent with the efficient performance of this contract.

## 28. EXAMINATION OF RECORDS

The provisions of the clause are applicable if the amount of the contract exceeds \$2,500 and was entered into by means of negotiation, but is not applicable if entered into by means of formal advertising.

(a) The Contractor agrees that the Comptroller of the Contracting Agency or any of his duly authorized representatives shall, until the expiration of three years after final payment under this contract, have access to and the right to examine any directly pertinent books, documents, papers, and records of the Contractor, involving transactions related to this contract.

(b) The Contractor further agrees to include in all his subcontracts hereunder a provision to the effect that the subcontractor agrees that the Comptroller of the Contracting Agency or any of his duly authorized representatives shall, until the expiration of three years after final payment under the subcontract, have access to and the right to examine any directly pertinent books, documents, papers, and records of such subcontractor, involving transactions related to the subcontract. The term "subcontract" as used in the clause excludes (i) purchase orders not exceeding \$2,500 and (ii) subcontracts or purchase orders for public utility services at rates established for uniform applicability to the general public.

## 29. GRATUITIES

(a) The Government may, by written notice to the Contractor, terminate the right of the Contractor to proceed under this contract if it is found, after notice and hearing, by the Secretary or his duly authorized representative, that gratuities (in the form of entertainment, gifts, or otherwise) were offered or given by the Contractor, or any agent or representative of the Contractor, to any officer or employee of the Government with a view toward securing a contract or securing favorable treatment with respect to the awarding or amending, or the making of any determinations with respect to the performing of such contract; provided, that the existence of the facts upon which the Secretary or his duly authorized representative makes such findings shall be in issue and may be reviewed in any competent court.

(b) In the event this contract is terminated as provided in paragraph (a) hereof, the Government shall be entitled (i) to pursue the same remedies against the Contractor as it could pursue in the event of a breach of the contract by the Contractor, and (ii) as a penalty in addition to any other damages to which it may be entitled by law, to exemplary damages in an amount (as determined by the Secretary or his duly authorized representative) which shall be not less than three nor more than ten times the costs incurred by the Contractor in providing any such gratuities to any such officer or employee.

(c) The rights and remedies of the Government provided in this clause shall not be exclusive and are in addition to any other rights and remedies provided by law or under this contract.

## 30. CONVICT LABOR

In connection with the performance of work under this contract, the Contractor agrees not to employ any person undergoing sentence of imprisonment at hard labor.

## 31. PRIORITIES, ALLOCATIONS, AND ALLOTMENTS

The Contractor shall follow the provisions of DMS Reg. 1 and all other applicable regulations and orders of the Business Defense Services Administration in obtaining controlled materials and other products and materials needed to fill this order.

## 32. PACKING AND PROCESSING CHARGES

The prices herein include all charges for packing and processing in accordance with the provisions of this contract.

## 33. IDENTIFICATION AND MARKING OF SHIPMENTS

### I. General:

A. It is an express condition of this contract that the Contractor will make no reference of any nature to the purchaser in connection with the shipment of materials or the shipping documents pertaining to this contract. This includes, but it is not limited to the items being furnished, instruction books, blueprints, manuals, packing lists, instruction plates or identification plates. Neither shall there be any reference to the purchaser on or in any shipping container, shipping documents or billing documents.

### II. Bills of Lading:

A. The Bill of Lading shall show the consignee as cited on Schedule "A" of the contract.

### III. Exterior Markings:

A. No stenciling shall be applied to the shipping container except for the following:

- (1) Weight, dimensions and cubic content of container
- (2) Caution markings for handling purposes, such as; "DELICATE INSTRUMENT", "THIS SIDE UP", "FRAGILE", AND "CENTER OF BALANCE" (on large items), and etc.

B. The consignee address as given above in paragraph II A shall be marked on a shipping tag or label that shall be securely fixed on the container by use of a waterproof adhesive or stapled to the container. Such markings shall be protected by a coat of transparent water-repellant material.

C. Container Numbering

- (1) Each exterior container shall bear a number relative to the total number of containers in the shipment, e.g. PKG. 1 of 5.
- (2) Set marking -- where an equipment item constitutes a set, and is packed and shipped unassembled in two or more separate pieces, each container shall be marked with the set or assembly number, the number of the container relative to the number of containers comprising the complete set, and the total number of containers in the particular set or assembly, together with a brief description of the component part contained therein. Thus, a box containing a control panel which is the third container of a group of four making up set number two would require the following special set markings: Set No. 2, Package 3 of 4, Control Panel.
- (3) Container numbering shall not be stenciled on the containers but shall be applied by tag or label as described in paragraph III B.

IV. Interior Markings:

A. No markings shall be applied on any interior packaging material or container that would identify the purchaser.

B. Each primary wrapper, envelope, bag, folding carton or other packaging material, enclosing each assembly, part or group of similar parts shall be marked or labeled so that it may be readily identified against the packing list. Each secondary and all other overwrap material shall be marked as to the contents enclosed in the package. The markings shall include the following:

- (1) One of the following headings:
  - a. Part of basic unit (removed to facilitate packing)
  - b. Operating Spare Parts
  - c. Base Spare Parts
  - d. Tools
  - e. Service Equipment
  - f. Other category indicated in the contract
- (2) Brief Nomenclature
- (3) Quantity

Items that are not enclosed in a wrapper or carton shall be identified with a tag that includes the above information.

V. Packing Lists

A. A master packing list shall accompany each shipment or be forwarded under separate cover so that it reaches the consignee prior

to the receipt of the shipment. The master packing list shall include:

- (1) Name and address of consignor
- (2) Name and address of consignee as in paragraph II A above
- (3) Contract or Purchase order number
- (4) Government Bill of Lading Number covering the shipment if any
- (5) Items being shipped shall be listed as required under one or more of the headings listed in paragraph IV B (1) above
- (6) Stock and Item number
- (7) Nomenclature of item
- (8) Quantity of each item
- (9) Location of each item by container number and set number when applicable
- (10) Any data specifically required to be included on the packing list, by the terms of the contract.

VI. Unassembled Items

A. Identification of connection components

When it is necessary to remove components to facilitate packing, all connecting wires, conduits, leads and other objects disconnected shall be tagged in such a manner so as to readily identify lines of the various components.

B. Shipping bolts, collars and etc.

All objects that are attached to assemblies for packing purposes that require removal before the item can be put in operation, shall be labelled accordingly in a conspicuous manner.

34. SECURITY REQUIREMENTS (Applicable only if the Schedule of the Contract specifies a Security Classification)

(a) Disclosure of Information. It is understood that disclosure of information relating to the work contracted for hereunder, to any person not entitled to receive it, or failure to safeguard all SECRET and CONFIDENTIAL matter that may come to the Contractor or any person under his control in connection with the work under this contract, may subject the Contractor, his agents, employees and subcontractors to criminal liability under the laws of the United States (18 U.S. Code 793, 794, 798). See "Contractor's Security Agreement" and "Security Requirements for Contractor's" which are incorporated herein by reference only.

(b) Subcontractors. When it is deemed necessary to disclose classified information to a subcontractor to accomplish the purposes of this contract the Contractor will request permission of the Contracting Officer prior to such disclosure. Upon the granting of permission, the Contractor shall cause to be inserted in all subcontracts under this contract a provision similar to (a) above.

(c) Employment of Aliens. No aliens employed by the Contractor shall be permitted to have access to the plans or specifications, or the work under construction, or to participate in the contract trials, without the written consent beforehand of the Contracting Officer.